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BEFORE THE ARIZONA CORPORATION

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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION
OF KOHL'S RANCH WATER COMPANY
FOR AN EMERGENCY RATE INCREASE.

Docket No. W-02886A-10-0369

**APPLICANT KOHL'S RANCH
WATER COMPANY'S RESPONSE
TO THE SECOND SUPPLEMENT
TO THE STAFF REPORT**

Kohl's Ranch Water Company (KRWC) files this response to the Second Supplement to the Staff Report docketed November 22, 2010 (Second Supplement) regarding KRWC's application with the Arizona Corporation Commission (ACC) for an emergency rate increase (Application).

A. Staff Continues to Deny the Reality of the Revenue Required for KRWC to Maintain Service.

Staff's acceptance of KRWC's water testing costs is an improvement over Staff's previous position.¹ But Staff's surcharge revenue proposed in the Second Supplement

¹ As undersigned counsel informed Staff counsel, however, KRWC strongly objects to Staff's extensive questioning of KRWC's third-party operators without any notice to KRWC. KRWC learned of the questioning, which throughout these proceedings apparently involved many telephone calls, only after the third-party contractor who performs the water testing contacted KRWC to complain that in a telephone call lasting more than a half an hour, Staff pressed him on pricing and whether he could perform his services for less. KRWC understands the necessity and efficacy of relaxed evidentiary and procedural standards in proceedings such as this but the nature of this contact as well as the due process concerns that arise with respect to using such information in ACC decision making seems out of bounds even here.

1 (Proposed Surcharge Revenue) still creates a high likelihood that KRWC will not be able to
2 maintain service pending a formal rate increase.

3 Staff rejects KRWC's requested revenue because Staff does not accept KRWC's
4 estimated costs due to the lack of documentation. No one disagrees that documentation
5 would be preferable. But the cold reality, as KRWC has explained in previous filings and
6 during the November 3, 2010 hearing on its Application (Hearing), is that documentation
7 does not exist. Acceptance of common sense estimations of costs KRWC is likely to face,
8 therefore, is required or the entire exercise of this emergency rate application is futile
9 because the surcharge will not enable KRWC to maintain service.
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12 For example, it simply is not realistic to contend, as Staff does, that a third-party
13 contractor will travel to and perform a few hours of service at the remote KRWC service
14 area for an amount equal to the cost of a next-door employee from Kohl's Ranch Lodge
15 performing the services as part of the employee's full-time work. Similarly confounding is
16 Staff's wholesale denial of legal expenses and consultant fees for a water company that will
17 have third-party contractors addressing issues associated with being a stand-alone company
18 for the first time, finding a buyer or hiring an interim operator, and filing a rate increase
19 application in the next year – among other certain-to-happen activities. In other words, for
20 lack of non-existent documentation, the Proposed Surcharge Revenue denies KRWC the
21 revenue common sense dictates KRWC will need to continue to maintain service.
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25 **B. The Emergency Surcharge Should Also Apply to Reestablishment**
26 **Charges.**

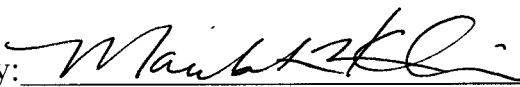
27 Compounding the problems of an inadequate emergency surcharge, is the unforeseen
28 likelihood that residential customers, whose residences are principally second homes, will

1 disconnect water service rather than pay the surcharge during the months they opt not to
2 visit their homes. At least one residential customer has already contacted KRWC
3 requesting disconnection. Under the 1972 tariff, KRWC may charge only \$25.00 for
4 reestablishment of service. In accordance with A.A.C. 14-2-403(D), KRWC requests that
5 the ACC approve a reestablishment charge equal to the number of months for which service
6 was discontinued (if less than 12 months) times the total of the base rate (\$5.75) plus the
7 approved monthly emergency surcharge. KRWC believes the request is justified and
8 necessary in light of the perils facing all of KRWC's customers should the vast number of
9 seasonal residents seek to avoid the surcharge by disconnecting service for the months their
10 residences are not in use.

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13 For the reasons set forth above as well as in its prior filings and testimony during the
14 Hearing in support of its Application, KRWC respectfully requests an annual surcharge
15 revenue of no less than \$80,808 as set forth in Rebuttal Schedule SSR-3 accompanying
16 KRWC's Response to Staff Report docketed October 27, 2010, (Hearing Exhibit A-4), and
17 the inclusion of a provision that assesses the monthly base and surcharge on customers
18 reestablishing service within 12 months.

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21 Dated this 1st day of December, 2010.

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23 POLSINELLI SHUGHART PC

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25
26 By: 
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1 **ORIGINAL** + 13 copies filed this
2 1st day of December, 2010, with the
3 Arizona Corporation Commission

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